

Message Text

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ACTION ARA-10

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R 292005Z SEP 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 8404

C O N F I D E N T I A L SANTO DOMINGO 4765

E.O. 11652: GDS

TAGS: EALR, EMIN, EINV, DR

SUBJECT: STATUS OF ROSARIO NEGOTIATIONS

1. JESUS HERNANDEZ, PRESIDENTIAL ADVISOR, INFORMED AMBASSADOR THAT HE HAD DISCUSSED ROSARIO SITUATION WITH PRESIDENT A FEW DAYS EARLIER. HERNANDEZ SAID PRESIDENT HAD AUTHORIZED HIM TO MAKE FOLLOWING FOUR-POINT OFFER WITH RESPECT TO THE PUERBLO VIEJO MINE TO ROSARIO THROUGH AMBASSADOR: (1) FORTY PERCENT EQUITY FOR THE GODR (DOWN FROM THE ORIGINAL DEMAND OF 49 PERCENT); (2) PAYMENT OF THE 5 PERCENT TAX FOR IMPROVING THE LIVING CONDITIONS OF THE INHABITANTS OF COTUI; (3) RETRO-ACTIVITY TO JULY 1; AND (4) GUARANTEE THAT ANY NEW CONTRACT SIGNED WOULD NOT BE ALTERED FOR FIVE YEARS. THE LETTER OF INTENT SIGNED BY ROSARIO WITH RESPECT TO THE LOS CACAOS MINE WOULD REMAIN UNCHANGED.

2. AMBASSADOR CHARACTERIZED THESE TERMS AS "EXAGGERATED" AND SAID HE WAS CONFIDENT ROSARIO WOULD REJECT THEM. ROSARIO HAD OFFERED THE GODR 33-1/3 PERCENT EQUITY IN BOTH PUEBLO VIEJO AND LOS CACAOS MINES PROVIDED BOTH MINES WERE TREATED AS ONE AND THEREBY THE LETTER OF INTENT REGARDING LOS CACAOS BECAME OBSOLETE. AMBASSADOR CONTINUED THAT WHILE HE THOUGHT ROSARIO WOULD AGREE TO THE 5 PERCENT COTUI TAX, IT WOULD WANT CONSIDERABLY MORE THAN A FIVE-YEAR GUARANTEE. AMBASSADOR AGREED, NEVERTHELESS, TO CONVEY OFFER TO ROSARIO

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AND TO SEEK A FIRM COUNTERPROPOSAL.

3. AMBASSADOR SPOKE AT LENGTH BY TELEPHONE YESTERDAY WITH BOB REININGER, PRESIDENT OF ROSARIO. AS EXPECTED, REININGER NOT ENCHANTED BY OFFER AND SOUNDED DISCOURAGED. AMBASSADOR SUGGESTED ROSARIO MAKE FOLLOWING COUNTERPROPOSAL: (1) 5 PERCENT COTUI TAX ACCEPTED; (2) IF PUEBLO VIEJO AND LOS CACAOS MINES WERE TREATED AS ONE, ROSARIO WOULD OFFER 35 PERCENT EQUITY TO THE GOVERNMENT PROVIDED AGREEMENT COULD BE REACHED ON THE PRICE FOR THE EQUITY OVER 25 PERCENT (GODR HAS 20 PERCENT EQUITY THROUGH CENTRAL BANK ALREADY, ROSARIO ESTIMATES LOS CACAOS MINE TO BE WORTH 5 PERCENT OF PUEBLO VIEJO EQUITY, HENCE THE REQUIREMENT FOR SOME FORM OF PAYMENT FOR THE ADDITIONAL 10 PERCENT OF EQUITY, FROM 25 PERCENT TO 35 PERCENT); (3) TWENTY-ONE YEARS DURATION FOR THE CONTRACT (THIS IS DERIVED FROM THE FACT THAT THE MINING LAW PROVIDES FOR TWENTY-FIVE YEARS DURATION FROM THE TIME OF THE SIGNING OF A CONTRACT - ROSARIO'S CONTRACT IS FOUR YEARS OLD); AND (4) THE QUESTION OF RETROACTIVITY TO BE DECIDED ONCE ALL OTHER ISSUES HAD BEEN RESOLVED.

4. REININGER SAID HE WOULD TAKE AMBASSADOR'S SUGGESTIONS UNDER ADVISEMENT, CONSULT WITH HIS PARTNER SIMPLOT, AND MAKE A FIRM COUNTEROFFER BEFORE WEEK'S END.
HURWITCH

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